Report

Cabinet Member for Community, Work and Skills

Part 1

Date: 28 April 2017

Item No: 01

Subject   **Review of IT - Partnership with Shared Resource Service (SRS)**

Purpose   To report to Cabinet Member changes to the delivery of IT Services as a partnership with the Shared Resource Service (SRS) from 1 April 2017, and the supporting governance arrangements.

Author   Head of People and Business Change

Ward   All

Summary   Following a review of potential alternative delivery models for the Council's IT Service, reported to Cabinet March 2016, the business case for transfer to the Shared Resource Service (SRS) is now complete. The report outlines the investment objectives, risks and financial case.

The Head of People and Business Change, Chief Executive, Head of Finance and Cabinet Member will join as full members of the SRS board structures with immediate effect as part of the ongoing governance and monitoring arrangements.

Proposal   **Cabinet member to note IT service delivery arrangements, and note governance structures as outlined in the report.**

Action by   Head of People and Business Change
Digital and Information Manager

Timetable   from 1 April 2017

This report was prepared after consultation with:

- Director of Place (Chair of Digital Board)
- Shared Resource Service
- IT Review Project Board

Signed

Background

In March 2014 the Community Planning and Development Scrutiny Committee considered a report on a proposal to review the delivery of the Council's transactional /corporate services. This considered options for service delivery and concluded with members indicating a preference for working with public sector partners. The Council has since developed experience of working within joint venture partnerships and alternative service delivery models including Newport Live and Newport Norse.

Following a referral from the Cabinet Member in November 2015, the Scrutiny Committee conducted a review of options for future IT service delivery. The review group work considered a range of options in view of the requirement to deliver a resilient, cost effective, sustainable service which underpins service delivery across a range of Council functions and schools.

The evidence reviewed included strategic challenges and risks; opportunities available; Wales Audit Office and SoCITM (national Society of IT Managers) reports; a visit to the Shared Resource Service headquarters and data centre; and feedback from existing customers of that service. Following a review of risks and opportunities it was agreed at March 2016 Cabinet to develop a detailed business case to include cost savings, cost of change, risk and investment objectives for a partnership with the Shared Resource Service (SRS) as the preferred option.

Cabinet further agreed to delegate authority to the Head of People & Business Change and Statutory Officers to develop a final business case for the preferred option 'to establish a collaborative public sector partnership with the SRS'. That work is now complete and this report provides members with an update on progress.

The case for change

For the last year officers have worked closely with the SRS, IT management, and relevant members to finalise the business case to ensure it meets NCC requirements and supports our digital strategy ambitions.   The review of the service identified a number of issues:

- reductions in the size of the service and the associated risks of this,
- staff attrition and skill retention,
- requirement to improve business continuity,
- pace of technological advances – requirements on IT and
- financial pressures.

Newport ICT provision currently consists of 43 posts but allowing for vacancies this leaves 32 members of staff providing desktop, infrastructure, service desk, education services, and application support project management, supporting approximately 5000 corporate users and 18,500 users across 45 schools.

The SRS is a collaborative ICT provision in South East Wales that comprises Gwent Police Authority, Monmouthshire County Council, Torfaen County Borough Council (TCBC) and more recently Blaenau Gwent County Borough Council. The SRS is underpinned by a Memorandum of Understanding (MoU) that enables a single management structure across the board. The MoU was signed Jul 2011 and includes governance arrangements that allow new partners to join. In addition to the partners outlined, the SRS also has customers where there is a different contractual arrangement.

In moving to a partnership with the SRS, NCC transfers the management and operation of IT services. The Council will continue to determine the strategic priorities for the service through a clear governance structure within NCC, supported by NCC Digital Strategy, and performance will be monitored by 'client side' arrangements established in People and Business Change.

The revised SRS Strategy 2016-2020 allows for the meeting of the Council's objectives with regard to its digital agenda. Importantly, it provides resilience moving forward and a professional and growing structure for ICT staff transferring into the organisation.

In the medium term SRS will be able to work with its member councils to deliver further savings within each Council through the common adoption of large scale applications.

The SRS operates with 5 strategic aims to:

1. Deliver effective ICT services from a single combined unit;
2. Provide a solid foundation upon which partner organisations can operate in order to improve service delivery;
3. Ensure the investment in ICT is focused on delivery of the corporate priorities of the partner organisations;
4. Develop a capable, professional workforce that can meet the challenges within ICT over the coming years;
5. Provide a collaborative platform for public sector organisations to share digital capacity and capability through shared platform.

Business case

Cabinet agreed the establishment of a public sector partnership with the SRS as a preferred option, subject to a viable financial case, operating within current budget with any costs funded from the invest to save reserve, and not falling below the expected benefits as outlined in the full business case.

The investment objectives for this project have remained unchanged since the business case was drafted in the initial review and are listed below. They are a response to the service's need to provide a compliant and resilient IT infrastructure with access to the information and systems required to support service delivery. They have been categorised in terms of a hierarchy of importance with objectives 1, 2, 3, 4, 8 and 11 defined as critical.

1. Reduce the future need for ICT to draw on the capital programme, establishing a ceiling for future budget planning (less costly, value for money, providing the best deal for Newport) by 31/03/17.

2. Provide a satisfactory disaster recovery and business continuity solution for the operation of ICT infrastructure and application systems software (resilient, more responsive) by 30/09/17.

3. Ensure that sufficient skilled resource is available for front line service delivery (sustainability) by 01/04/17.

4. Deliver an ICT service at the infrastructure level which achieves the agreed levels of performance over a 12 month rolling period (resilience and quality of service) by 31/03/18:

   ▪ outage numbers,
   ▪ outage durations,
   ▪ infrastructure service availability by function:
     o data Centre
     o network
     o voice
     o agreed application systems software.

5. Reduce duplication of effort and move to commodity platforms including email (continuous improvement, less costly) by 31/03/18.

6. Meet the agreed performance objectives for business specific ICT services as defined by the users within NCC (more responsive, continuously improving) by 31/03/18. These being:

KPI	Target	NCC Previously
High Priority calls	<10 within month period	
Network Availability	95%	99.90%
Calls resolved against SLA	85%	
Customer Satisfaction	85%	
Calls Resolved at 1st Point of Contact	85%	
Percentage of calls answered within target of 90 seconds		

7. Benefit from economies of scale in procurement by means of a shared hardware catalogue to reduce spends on devices by an agreed % over 3 years (less costly) by 30/09/18.

8. Provide for appropriate data replication on agreed applications system software and associated data (resilient, continuously improving) by 31/03/19.

9. Move to an ICT usage consumption model (sustainability) considering cloud based delivery (continuously improving) by 31/03/20.

10. Deliver a secure ICT architecture to protect the organisation and its data by means of pooled solution design within the wider public sector to maximise knowledge and to reduce security threats (resilience, less costly, more responsive and continuously improving) by 31/03/20.

11. Provide a means of being able to deliver the agreed digital goals of NCC (providing the best deal for Newport) by 30/06/19.

Developments – the last year

In line with the Cabinet decision in March 2016 the Head of Service and statutory officers completed the business case and supporting legal documentation for transfer on 1st April 2017. This is later than originally planned, to allow for the extensive work taken to develop the financial case with the SRS, the due diligence process and Blaenau Gwent CBC joining the SRS in 2016.

Since the Cabinet report the following work has been completed:

▪ Due diligence work around the business case for NCC and with the SRS;
▪ Blaenau Gwent joined the partnership in June 2016 with some work following to integrate the new Council into the SRS organisation;
▪ Extensive work with SRS to shape and finalise the financial model;
▪ Reports to the SRS public board;
▪ Each of the partner organisations has reported to their cabinet/ OPCC and partners agreed that NCC can join the partnership;
▪ Consultation with staff and relevant recognised unions;
▪ Development of a service catalogue and appropriate client side arrangements;
▪ Joining date agreed as 1st Apr 2017 to coincide with the start of the new financial year at SRS request.

Since January 2017 NCC have been attending SRS formal boards to ensure we are sighted on key decisions which would affect us as partners. This has included a restructure of the SRS governance through establishment of the SRS Strategic Board, a Finance and Governance Board, and Business and Collaboration Board. The SRS Strategic Board will meet on a quarterly basis and will comprise the Chief Executives and the Elected Members.

The final business case includes efficiencies which ensure the proposal can be delivered within the financial envelope and has been through the SRS 'due diligence' process. Final issues were resolved at the end of March and new contracts commenced on 1st April 2017. IT staff transferred via TUPE and a

number were subsequently offered a new role in the organisational structure with TCBC as the host employer.

The new management arrangements are now in place with the client side established within the People and Business Change service. In the short term, there should not be any support changes for users. Over the following 6-18 month period systems and services will be migrated to SRS. SRS will work with Service Areas and schools to ensure all are fully informed of planned changes. The IT service will continue to have a presence at the Civic Centre, with a service desk for calls to be logged for support or services, and arrangements for SLA /account management with the SRS are being established. The transfer will give us economies of scale and a more resilient service for the longer term.

Large contracts and capital IT expenditure will be retained by the Council and managed locally. The NCC Digital Board is responsible for prioritising projects and developments, and SRS now attend this. This board will determine the programme of works and will refer to MTRP savings targets, timescales and available funding before SRS comment on resource requirements. All new work requiring IT resource, whether for implementation or ongoing support, will need to be presented to the Digital Board.

The Head of People and Business Change, Chief Executive, Head of Finance and Cabinet Member will join as full members of the SRS board structures with immediate effect.

A review of the transfer by Scrutiny Committee is proposed within one year of transfer and forms part of the Scrutiny work programme.

Financial Summary

		2017/18	2018/19	2019/20	2020/21
SRS Management Fee	Expenditure	3,285,854	3,302,972	3,320,260	3,337,722
	Income	-414,470	-1,166,865	-1,168,937	-1,171,030
	Net Total Costs	**2,871,384**	**2,136,107**	**2,151,323**	**2,166,692**
	Additional SRS Costs	180,443	166,784	168,139	169,507
Total Management Fee		**3,051,827**	**2,302,891**	**2,319,462**	**2,336,199**
Retained Budget	Expenditure	960,453	965,825	974,858	982,858
	Income	-845,960	-95,616	-95,616	-95,616
Retained Budget Total		**114,493**	**870,209**	**879,242**	**887,242**
Funded By	Revenue Budget	3,029,841	3,056,289	3,083,204	3,110,204
	Invest to Save	97,423	0	0	0
	Capital Cost Avoidance Savings	39,429	117,143	167,143	217,143
Total Funding Available		**£3,166,693**	**£3,173,432**	**£3,250,347**	**£3,327,347**
(Savings) / Deficit		**-£372**	**-£332**	**-£51,642**	**-£103,905**

The table above shows the financial costs of the IT section transferring to the SRS remain within the funding envelope, although this does include an invest to save bid of £97k which has been approved. However, there has also been a pension revaluation recently and the result may mean some further additional costs. The table below shows the maximum potential costs.

	Year 1	Year 2	Year 3	Year 4
Additional Pension Cost	£25,827	£26,085	£26,346	£26,609

If these additional costs are incurred, then this will also mean that in year one there will be an expected overspend of approximately £26k in the retained budget. This is because the SRS will be classed as a separate body within the Greater Gwent Torfaen fund from 1st April 2017, with a higher pension contribution than what currently exists for Newport. This is an ongoing pressure which will have to be recognised within the MTRP for 2018/19.

However, it should be noted that the above assumes the expected maximum cost to the council, (especially in regarding to the employee budgets), and there is the potential that some savings could be made to offset the costs detailed in the first year.

Risks

It is important to identify and manage any project or scheme's exposure to risk and have in place controls to deal with those risks. Risks have been updated in line with the development of the final business case.

Risk	Impact of Risk if it occurs H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Ability of SRS Public to develop and cater for needs of more members.	H	L	SRS Public is a developing organisation and this is a risk that needs consideration. SRS Public requires a programme for growth using sound programme management techniques. The organisation has recently made changes to governance structures to take account of this.	Senior Responsible Officer (Head of People and Business Change)
Funding for the cost of change, and ensuring financial model supports long term savings.	M	M	Revenue and capital implications clearly defined, and extensive work to develop the financial model.	Senior Responsible Officer (HoPBC)
Availability and performance is not provided at required level.	L	L	Regular performance monitoring and benchmarking. Business case fully considers Newport requirements including staff presence at Newport sites. References from existing customers reviewed in service review. Investment objectives and supporting performance indicators included in legal documents.	HoPBC/ IT Service management
Understanding the existing technologies and extant contracts and where collaboration can deliver cost reduction.	L	L	Ongoing work to consider joint working and use of large scale applications. SRS strategic aims. Early review of large scale contracts is recommended.	HoPBC/ IT Service management

Managing unanticipated technological change	L	M	NCC does not have a specific technical ICT strategy as it has been replaced by the Digital Strategy and therefore, needs to work and influence the collaboration over a technical strategy to support the local digital goals. Representation at the SRS board (member and senior leadership) is essential and arrangements are now in place.	HoPBC/ IT Service management
Appropriate management of the partnership by NCC to ensure investment objectives are met.	H	M	Head of People and Business Change oversees the client side function developed as part of the Digital and Information role. Digital programme also reviews Digital Strategy development and projects.	Senior Responsible Officer (HoPBC), Digital and Information Manager

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

The proposal will support the development of the Council's digital aspirations, and the delivery of the Digital Strategy 2015-2020.

Options Available and considered

1. Cabinet member note the IT service delivery arrangements and governance structures as outlined in the report.
2. Cabinet member to request more details on the IT service delivery arrangements.

Preferred Option and Why

Cabinet member to note IT service delivery arrangements, and note governance structures as outlined in the report.

Comments of Chief Financial Officer

The figures contained within the report show that any costs associated with moving to the SRS remain within the financial envelope as agreed by the previous cabinet report. Invest to Save funds are being used for some one-off and short term transitional costs but core costs are within the existing 'funding envelope'

A strong client side will be essential in ensuring effective financial management in going forward.

A recent pension revaluation has also meant that there is an additional pension cost, which Newport Council will have to fund and would have had to fund, even if not transferred. This will be an in-year budget pressure in 2017/18 if it can't be mitigated from within the core management fee and additional funding will need to be added to the core budget through the Council's MTFP process for 2018/19 onwards.

Comments of Monitoring Officer

There are no specific legal issues arising from the Report. Cabinet agreed in March 2016 to transfer the Council's IT service to the SRS, and to participate in this collaborative public sector partnership, in order to provide greater resilience, efficiencies and service improvements. Delegated powers were given to the relevant Heads of Service to agree the terms of the Final Business Case and the relevant legal and financial documentation. Terms have now been agreed with the other partners for the Council to join the SRS and participate in the governance arrangements and for the delivery of IT services by Torfaen, as

the "lead" authority. The terms of the collaborative arrangements are set out in a Memorandum of Understanding between all of the partners and a separate Deed of Adherence is being prepared to set out the IT services being commissioned by Newport, the standards of service required, the costs of the service and the transfer of the Newport staff to Torfaen under TUPE. The SRS has recently changed its internal governance arrangements under the MoU, to establish a number of strategic and operational Boards. None of these boards will be constituted as a formal Joint Committee because the Police do not have the statutory power to participate in such a joint committee. They will not be decision-making Boards, as such, and there is no formal delegation of executive power. The Boards simply provide a strategic and operational oversight over the work of the SRS. Therefore, any future decision on any substantive changes to the current operating model would require the unanimous approval of each of the partners.

Comments of Head of People and Business Change

The report outlines how the case for change considers the long term challenges for the IT Service and the need to deliver the Digital Strategy. This underpins the change programme and efficient delivery of all council services. The business case develops collaboration with our neighbouring authorities to deliver IT services resulting in a transfer of the staff with the work to the new employer.

Staff were fully consulted on the proposals and are protected by TUPE regulations. The new employer is a member of LGPS so employee pension rights remain the same.

Comments of Cabinet Member

The report author is to confirm that the Cabinet Member has approved the report for consideration by cabinet.

Local issues

None.

Scrutiny Committees

The change follows a review by Policy Sub Group reported to Scrutiny Committee as outlined in the report. A further report to Scrutiny will follow to monitor the arrangements post transfer.

Equalities Impact Assessment and the Equalities Act 2010

An equalities impact assessment was undertaken to ensure that appropriate consideration of fairness and equalities was included in the proposal. IT staff are now employed by Torfaen CBC with appropriate equalities policies in place.

Children and Families (Wales) Measure

No specific consultation with young people, although ensuring the continued development of services to schools have been a key part of the business case development.

Wellbeing of Future Generations (Wales) Act 2015

The report outlines how the case for change considers the long term challenges for the IT Service and the need to deliver the Digital Strategy. This underpins the change programme and efficient delivery of all council services. The business case develops collaboration with our neighbouring authorities to deliver IT services.

Crime and Disorder Act 1998

N/A

Consultation

There have been a number of meetings with IT staff, including with SRS management to provide an opportunity to answer questions. Unison and GMB representatives have also been included in the discussions.

Stakeholders have been consulted with throughout the development of the business case, including service managers and head teachers.

Background Papers
Scrutiny review and minutes March 2014
Digital strategy, Cabinet Report Oct 2015
SRS strategy
Partner Cabinet Meetings (Blaenau Gwent CBC, Gwent OPCC, Monmouthshire CC, Torfaen CBC)

Dated: 28 April 2017